Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

December 2015: budgetary surplus of $2.2 billion

There was a budgetary surplus of $2.2 billion in December 2015, compared to a surplus of $2.4 billion in December 2014. Revenues increased by $31 million, or 0.1 per cent. Program expenses increased by $0.5 billion, or 2.6 per cent, reflecting increases in major transfers to persons and other levels of government, offset in part by a decrease in direct program expenses. Public debt charges decreased by $0.2 billion, or 10.7 per cent.

April to December 2015: budgetary surplus of $3.2 billion

For the April to December 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $3.2 billion, compared to a deficit of $0.9 billion reported in the same period of 2014–15. Revenues were up $14.2 billion, or 7.2 per cent, reflecting increases in all revenue sources. Program expenses were up $11.2 billion, or 6.3 per cent, reflecting increases in all major categories of program spending. Public debt charges were down $1.1 billion, or 5.3 per cent, largely reflecting lower average effective interest rates on Government of Canada bonds and treasury bills.

December 2015

There was a budgetary surplus of $2.2 billion in December 2015, compared to a surplus of $2.4 billion in December 2014.

Revenues in December 2015 totalled $24.9 billion, up $31 million, or 0.1 per cent, from December 2014.

- Personal income tax revenues were up $1.7 billion, or 14.0 per cent. This strong growth reflects, in part, timing issues as well as an accrual adjustment in December 2015 to incorporate updated information for the year as a whole.
- Corporate income tax revenues were down $0.4 billion, or 10.6 per cent.
- Non-resident income tax revenues were down $0.1 billion, or 13.4 per cent.
- Excise taxes and duties were down $0.1 billion, or 2.7 per cent. Within this category, Goods and Services Tax (GST) revenues decreased by $0.2 billion, energy taxes increased by $30 million, customs import duties increased by $29 million, and other excise taxes and duties increased by $17 million.
- Employment Insurance (EI) premium revenues were up $32 million, or 3.4 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, decreased by $1.1 billion, or 33.2 per cent, largely reflecting the gain realized in December 2014 on the transfer to Ontario of the province's one-third portion of the Government's holdings of General Motors common shares.

Program expenses in December 2015 were $20.7 billion, up $0.5 billion, or 2.6 per cent, from December 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.5 billion, or 8.5 per cent. Elderly and EI benefits each increased by $0.1 billion. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.4 billion, or 33.5 per cent, due mainly to the enhancement and expansion of the UCCB effective January 2015.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.4 billion, or 7.9 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in transfers to Canada's cities and communities, reflecting year-over-year timing differences.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of the operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were down $0.4 billion, or 4.7 per cent. Within direct program expenses:
    - Transfer payments decreased by $1.1 billion, or 45.2 per cent, largely reflecting the accelerated repayment of contributions by Pratt & Whitney Canada in December 2015.
    - Other direct program expenses increased by $0.7 billion, or 10.2 per cent, reflecting increases in Crown corporation expenses and operating expenses of departments and agencies.

Public debt charges decreased by $0.2 billion, or 10.7 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April to December 2015

For the April to December 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $3.2 billion, compared to a deficit of $0.9 billion reported during the same period of 2014–15.

Revenues increased by $14.2 billion, or 7.2 per cent, to $212.1 billion.

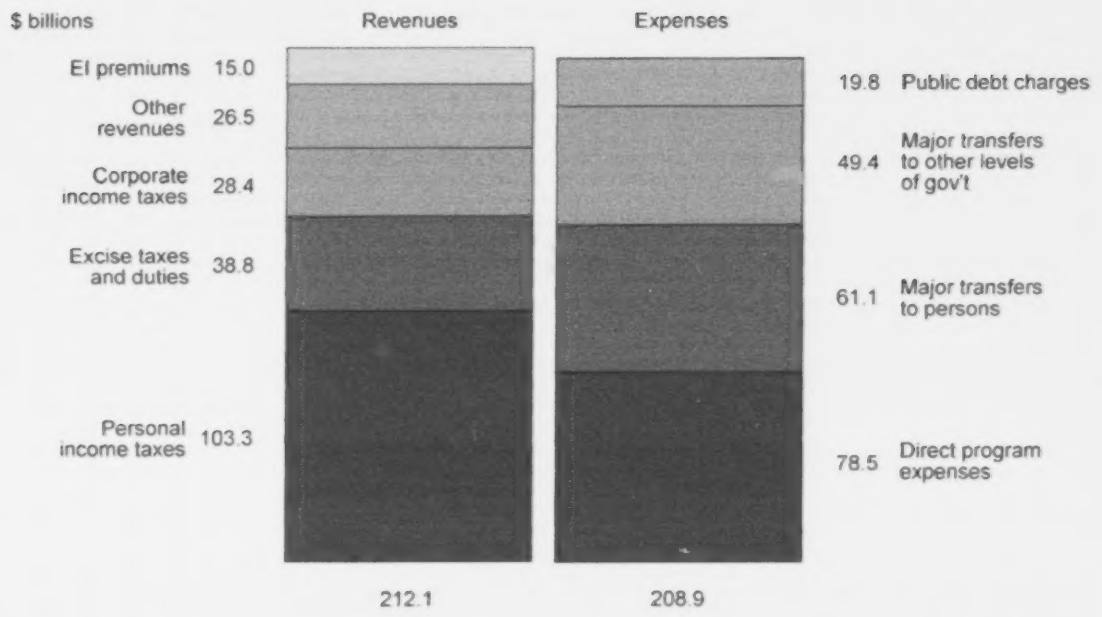
- Personal income tax revenues were up $5.5 billion, or 5.6 per cent.
- Corporate income tax revenues were up $4.3 billion, or 17.7 per cent, largely reflecting assessments and reassessments for prior tax years as well as the timing of current-year tax instalments. Corporations are generally required to remit monthly instalment payments for the current year based on either their previous year's actual tax liability or their current year's projected tax liability. This practice can introduce a lag in the impact of economic events on monthly corporate income tax revenues, which will only unwind near the end of the fiscal year.
- Non-resident income tax revenues were up $0.2 billion, or 4.8 per cent.
- Excise taxes and duties were up $2.6 billion, or 7.2 per cent. GST revenues increased by $1.7 billion, or 7.1 per cent, energy taxes by $0.2 billion, customs import duties by $0.6 billion, and other excise taxes and duties by $0.1 billion.
- EI premium revenues were up $0.5 billion, or 3.6 per cent, reflecting growth in earnings.
- Other revenues were up $1.1 billion, or 5.3 per cent, due mainly to increased revenues from Crown corporations.

For the April to December 2015 period, program expenses were $189.0 billion, up $11.2 billion, or 6.3 per cent, from the same period the previous year.

- Major transfers to persons were up $6.0 billion, or 10.8 per cent. Elderly benefits increased by $1.3 billion, or 4.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.0 billion, or 7.5 per cent, and children's benefits were up $3.7 billion, or 37.8 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.
- Major transfers to other levels of government were up $1.9 billion, or 4.1 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $3.3 billion, or 4.4 per cent. Within direct program expenses:
    - Transfer payments decreased by $1.0 billion, or 4.4 per cent, largely reflecting the accelerated repayment of contributions by Pratt & Whitney Canada.
    - Other direct program expenses increased by $4.3 billion, or 8.1 per cent, due in large part to an increase in Crown corporation expenses and an increase in government pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $1.1 billion, or 5.3 per cent, largely reflecting lower average effective interest rates on Government of Canada bonds and treasury bills.

Revenues and expenses (April to December 2015)



Note: Totals may not add due to rounding.

Financial requirement of $17.7 billion for April to December 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $3.2 billion and a financial requirement of $20.9 billion from non-budgetary transactions, there was a financial requirement of $17.7 billion for the April to December 2015 period, compared to a financial source of $0.7 billion for the same period the previous year.

Net financing activities up $28.7 billion

The Government financed this financial requirement of $17.7 billion and increased cash balances by $11.0 billion by increasing unmatured debt by $28.7 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of December 2015 stood at $39.0 billion, up $10.8 billion from their level at the end of December 2014.

Table 1
Summary statement of transactions
$ millions

	December		April to December	
	2014	2015	2014–15	2015–16
Budgetary transactions				
Revenues	24,829	24,860	197,867	212,064
Expenses				
Program expenses	-20,213	-20,732	-177,827	-189,033
Public debt charges	-2,190	-1,956	-20,942	-19,833
Budgetary balance (deficit/surplus)	2,426	2,172	-902	3,198
Non-budgetary transactions	-2,056	-7,171	1,600	-20,909
Financial source/requirement	370	-4,999	698	-17,711
Net change in financing activities	-5,996	-3,503	1,362	28,714
Net change in cash balances	-5,626	-8,502	2,060	11,003
Cash balance at end of period			28,133	38,953

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	December			April to December		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,141	13,839	14.0	97,789	103,299	5.6
Corporate income tax	3,870	3,460	-10.6	24,156	28,423	17.7
Non-resident income tax	589	510	-13.4	4,236	4,438	4.8
Total income tax	16,600	17,809	7.3	126,181	136,160	7.9
Excise taxes and duties						
Goods and Services Tax	2,618	2,437	-6.9	24,160	25,876	7.1
Energy taxes	468	498	6.4	4,150	4,301	3.6
Customs import duties	359	388	8.1	3,418	4,007	17.2
Other excise taxes and duties	515	532	3.3	4,509	4,645	3.0
Total excise taxes and duties	3,960	3,855	-2.7	36,237	38,829	7.2
Total tax revenues	20,560	21,664	5.4	162,418	174,989	7.7
Employment Insurance premiums	943	975	3.4	14,502	15,021	3.6
Other revenues	3,326	2,221	-33.2	20,947	22,054	5.3
Total revenues	24,829	24,860	0.1	197,867	212,064	7.2

Note: Totals may not add due to rounding.

Table 3
Expenses

	December			April to December		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,700	3,754	1.5	32,537	33,841	4.0
Employment Insurance benefits	1,470	1,579	7.4	12,892	13,853	7.5
Children's benefits	1,103	1,472	33.5	9,758	13,449	37.8
Total	6,273	6,805	8.5	55,187	61,143	10.8
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,836	6.0	24,086	25,518	5.9
Canada Social Transfer	1,048	1,080	3.1	9,436	9,719	3.0
Total	3,724	3,916	5.2	33,522	35,237	5.1
Fiscal arrangements and other transfers[1]	1,700	1,687	-0.8	15,437	15,859	2.7
Canada's cities and communities	54	285	427.8	1,903	1,882	-1.1
Quebec Abatement	-389	-396	1.8	-3,383	-3,562	5.3
Total	5,089	5,492	7.9	47,479	49,416	4.1
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	435	450	3.4	4,479	4,674	4.4
Agriculture and Agri-Food	107	45	-57.9	668	847	26.8

Employment and Social Development	384	365	-4.9	3,973	3,968	-0.1
Foreign Affairs, Trade and Development	248	361	45.6	1,608	2,007	24.8
Health	256	245	-4.3	2,232	2,263	1.4
Industry	234	-968	-513.7	1,670	584	-65.0
Other[1]	718	808	12.5	7,435	6,743	-9.3
Total	2,382	1,306	-45.2	22,065	21,086	-4.4
Other direct program expenses						
Crown corporations	634	968	52.7	5,486	6,417	17.0
National Defence	1,872	2,090	11.6	15,075	16,855	11.8
All other departments and agencies	3,963	4,071	2.7	32,535	34,116	4.9
Total other direct program expenses	6,469	7,129	10.2	53,096	57,388	8.1
Total direct program expenses	8,851	8,435	-4.7	75,161	78,474	4.4
Total program expenses	20,213	20,732	2.6	177,827	189,033	6.3
Public debt charges	2,190	1,956	-10.7	20,942	19,833	-5.3
Total expenses	22,403	22,688	1.3	198,769	208,866	5.1

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	December		April to December	
	2014	2015	2014–15	2015–16
Budgetary balance (deficit/surplus)	2,426	2,172	-902	3,198
Non-budgetary transactions				
Capital investment activities	-355	-350	-2,613	-3,032
Other investing activities	586	-1,804	3,775	-6,166
Pension and other accounts	345	311	1,484	3,477
Other activities				
Accounts payable, receivables, accruals and allowances	-1,073	95	-2,216	-6,151
Foreign exchange activities	-1,913	-5,741	-1,774	-12,263
Amortization of tangible capital assets	354	318	2,944	3,226
Total other activities	-2,632	-5,328	-1,046	-15,188
Total non-budgetary transactions	-2,056	-7,171	1,600	-20,909
Financial source/requirement	370	-4,999	698	-17,711

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	December		April to December	
	2014	2015	2014–15	2015–16
Financial source/requirement	370	-4,999	698	-17,711
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-6,527	-5,397	9,249	8,087
Treasury bills	-600	-1,900	-6,500	11,600
Retail debt	150	427	-638	-617
Other	0	0	0	0
Total	-6,977	-6,870	2,111	19,070
Foreign currency borrowings	542	461	-1,524	3,416
Total	-6,435	-6,409	587	22,486
Cross-currency swap revaluation	394	2,823	863	5,802
Unamortized discounts and premiums on market debt	84	129	279	616
Obligations related to capital leases and other unmatured debt	-39	-46	-367	-190
Net change in financing activities	-5,996	-3,503	1,362	28,714
Change in cash balance	-5,626	-8,502	2,060	11,003

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	December 31, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	116,167	-7,464
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	495,968	8,087
Treasury bills	135,692	147,292	11,600
Retail debt	5,660	5,043	-617
Subtotal	629,233	648,303	19,070
Payable in foreign currencies	20,267	23,683	3,416
Cross-currency swap revaluation	6,669	12,471	5,802
Unamortized discounts and premiums on market debt	4,296	4,912	616
Obligations related to capital leases and other unmatured debt	4,715	4,525	-190
Total unmatured debt	665,180	693,894	28,714
Pension and other liabilities			
Public sector pensions	152,664	152,237	-427
Other employee and veteran future benefits	76,140	80,427	4,287
Other liabilities	6,002	5,619	-383
Total pension and other liabilities	234,806	238,283	3,477

Total interest-bearing debt	899,986	932,177	32,191
Total liabilities	1,023,617	1,048,344	24,727
Financial assets			
Cash and accounts receivable	136,696	146,386	9,690
Foreign exchange accounts	85,018	97,281	12,263
Loans, investments, and advances (net of allowances)[1]	113,681	118,348	4,667
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	363,278	26,620
Net debt	686,959	685,066	-1,893
Non-financial assets	74,629	74,435	-194
Federal debt (accumulated deficit)	612,330	610,631	-1,699

Note: Totals may not add due to rounding.

[1] December 31, 2015 amount includes $1.5 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to December 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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